

Message Text

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ACTION NEA-09

INFO OCT-01 EUR-12 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-01

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FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 407

INFO AMEMBASSY ANKARA

AMEMBASSY BEIRUT

AMEMBASSY ISLAMABAD

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

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TAGS: EFIN, EAID, EALR, IMF, IR

SUBJECT: ADDITIONAL COMMENTS ON IRANIAN COMMITMENT TO IMF OIL
FACILITY AND TOTAL CAPITAL EXPORT

REF: A. TEHRAN 1586 B. TEHRAN 1248

1. CENTRAL BANK OF IRAN DIRECTOR-GENERAL FOR INTERNATIONAL
AFFAIRS SHAHPUR M. SHIRAZI ON FEBRUARY 27 IN REPLY TO EMBOFF'S
QUERY SAID THE NEW \$1 BILLION IRANIAN COMMITMENT TO THE INTER-
NATIONAL MONETARY FUND OIL FACILITY, ACCORDING TO AN "UNDER-
STANDING" WITH THE IMF, STILL WOULD BE
COUNTED AS PART OF IRAN'S GOLD AND
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FOREIGN EXCHANGE RESERVES (REF A). WHILE THE LOAN IS BEING

MADE ON SEVEN-YEAR REPAYMENT TERMS, IT STILL CAN BE CONSIDERED A LIQUID ASSET BECAUSE IRAN COULD REQUEST AND RECEIVE EARLY REPAYMENT IN THE FORM OF IMF ASSISTANCE, SHOULD IT BE SO NEEDED. HE DID NOT CONTEMPLATE IRAN NEEDING TO USE ANY OF THE \$1 BILLION DURING THE SEVEN-YEAR PERIOD, BUT THE MONEY THEORETICALLY WOULD BE AVAILABLE ON SHORT NOTICE.

2. DR. SHIRAZI SAID THE \$1 BILLION PROBABLY WOULD APPEAR IN IRANIAN BALANCE OF PAYMENTS STATISTICS AS A CAPITAL OUTFLOW. HOWEVER, SINCE THE MONEY IS COMING FROM THE CENTRAL BANK'S FOREIGN EXCHANGE RESERVES, IT IS NOT PART OF THE GOI BUDGET AND IS NOT CONSIDERED TO FALL UNDER THE CEILING ON CAPITAL EXPORT. DR. SHIRAZI SAID THE MAXIMUM AMOUNT OF CAPITAL TO BE EXPORTED DURING THE FIFTH DEVELOPMENT PLAN PERIOD (MARCH 21, 1973-MARCH 20, 1978) IS \$10 BILLION, OR \$11 BILLION COUNTING THE ADDITIONAL \$1 BILLION FOR THE IMF OIL FACILITY.

3. COMMENTING ON MORNING PRESS REPORTS FROM VIENNA THAT OPEC COUNTRIES DEFERRED A DECISION ON HOW OIL EXPORTING NATIONS SHOULD PROTECT THEMSELVES FROM DOLLAR DEPRECIATION, DR. SHIRAZI SAID THE GOI REALIZES THAT THE GREAT BULK OF OIL PAYMENTS MUST BE CONTINUED IN U.S. DOLLARS BECAUSE NO OTHER CURRENCY IS AVAILABLE IN SUFFICIENT QUANTITY. PERHAPS SOME LINK TO THE SDR TO PROTECT THE VALUE OF OIL EXPORTS MAY EVENTUALLY BE WORKED OUT.

4. COMMENT: AS THE DEPARTMENT IS AWARE, MINISTRY OF ECONOMICS AND FINANCE UNDER SECRETARY ASHRAFI RECENTLY SAID THE CEILING ON IRANIAN CAPITAL EXPORT DURING THE FIFTH PLAN PERIOD WOULD BE \$9 BILLION (REF B). WITH IRAN'S FOREIGN LENDING/FOREIGN INVESTMENT POLICY REMAINING AN AD HOC OPERATION, IT IS IMPOSSIBLE TO SAY WHICH FIGURE IS CORRECT. THE IMPORTANT POINT IS THAT THE GOI IS THINKING IN TERMS OF LIMITING NEW COMMITMENTS INVOLVING CAPITAL EXPORT. THE FINANCIAL GIMMICKRY OF USING FOREIGN EXCHANGE RESERVES FOR THE IMF OIL FACILITY SHOWS THE GOI REMAINS CONCERNED OVER AND IS FLEXIBLE IN ITS APPROACH TO THE RECYCLING PROBLEM.

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